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AGENDA ITEM #3761

WATER/SNR/PTL/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4485
August 19, 2004**

RESOLUTION

**(RES. W-4485), LITTLE BEAR WATER COMPANY, INC., - WATER
(LBWC). ORDER AUTHORIZING A SURCHARGE TO RECOVER
AN INCREASE IN WATER TESTING COSTS PRODUCING AN
INCREASE IN ANNUAL REVENUE OF \$5,515 OR 1.49%.**

SUMMARY

By Advice Letter No. 43, filed on July 2, 2004, LBWC seeks to add a surcharge of \$4.02 per month for two months to their Schedule No. 1, General Metered Service. The increase requested is to recover water quality expenses incurred in 2003 over and above the amount allowed in LBWC's last general rate case adjusted by a CPI increase for year 2002. This increase will not result in a rate of return greater than that last authorized for LBWC.

BACKGROUND

LBWC, a Class C water utility, provides water service to 685 customers in the Pine Canyon area of King City, Monterey County. LBWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$5,515, via surcharge over two months for water quality costs including water sampling, testing, reporting and treatment costs incurred in year 2003 reporting and treatment costs incurred in year 2003. LBWC's present rates became effective on December 9, 2003, pursuant to Res. No. W-4440, which authorized recovery of water testing expenses. LBWC'S last general rate increase was effective January 2, 2002, pursuant to Res. No. W-4311, which authorized a general rate increase of \$59,400 or 22.2%, and a 12.25% rate of return.

DISCUSSION

Res. No. W-4013, dated December 20, 1996, renewed by Res. No. W-4327, dated March 6, 2002, authorized all Class B, C, and D water utilities to establish water quality memorandum accounts (WQMA) for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment costs not presently included in rates. Class B, C, and D water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order No. 96-A. WQMA recovery requires a resolution.

The surcharge requested herein would allow LBWC to recover WQMA balances for the year 2003. The Water Division conducted an earnings test on an actual basis for the recorded year 2003. LBWC reported a net operating revenue of \$61,123 or 11.11% rate of return for 2003, which is below the authorized rate of return of 12.25%. The Water Division recommends that LBWC be authorized to assess a surcharge of \$4.02 per customer per month, for a period of two months.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in the King City Rustler, a newspaper of general circulation, on July 14, 2004, as evidenced by proof of publication provided to the Water Division by the utility. There were no protests concerning the proposed offset increase.

FINDINGS

1. Res. No. W-4327 authorized all Class B, C, and D water utilities to establish WQMAs for recording expenses resulting from drinking water regulations not presently included in rates.
2. Class B, C, and D water utilities were authorized to request recovery of the WQMA account balances by advice letter filings.
3. LBWC filed Advice Letter No. 43 seeking a surcharge to recover water quality expenses incurred during 2003.

4. The Commission finds, after investigation by the Water Division, that the request is justified, and the resulting rates are just and reasonable.
5. This is in uncontested matter subject to the public notice comment exclusion provided in the PUC Code Section 311 (g)(3).

THEREFORE IT IS ORDERED that:

1. Little Bear Water Company, Inc., -Water is authorized, five days after the effective date herein, to make effective revised rate Schedule No. 1, General Metered Service, attached to Advice Letter 43, and to cancel the corresponding presently effective rate schedule.
2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 19, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director